

## Message Text

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45

ACTION AF-18

INFO OCT-01 ARA-16 EUR-25 EA-11 NEA-10 ISO-00 IO-14 SPC-03

AID-20 EB-11 NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20

STR-08 OMB-01 CEA-02 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 L-03 H-03 INT-08

SCEM-02 SCI-06 DODE-00 PA-04 PRS-01 SSO-00 USIE-00

INRE-00 DRC-01 /239 W

----- 036380

O R 051455Z NOV 73

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC IMMEDIATE 1662

INFO AMEMBASSY ACCRA

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY FREETOWN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MONROVIA

AMEMBASSY OTTAWA

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY VIENNA

OECD PARIS 3696

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E.O. 11652: N/A

TAGS: ENRG NI

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SUBJECT: NEW OIL PRICE DOUBLES NIGERIAN GOVERNMENT TAKE

REF: LAGOS 8848

SUMMARY: NEW POSTED PRICE FOR NIGERIAN CRUDE OIL BRINGS TAX PAID COST TO OVER \$5.00 PER BARREL, OF WHICH FMG COLLECTS ABOUT \$4.75 OR TWICE WHAT IT RECEIVED PRIOR TO OCTOBER 20. INCREASE WAS RESULT OF NEGOTIATIONS BETWEEN GOVERNMENT AND ALL PRODUCING COMPANIES IN NIGERIA. END SUMMARY  
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BEGIN UNCLASSIFIED

1. TEXT OF NOVEMBER 3 ANNOUNCEMENT (UNNECESSARY WORDS OMITTED):

QUOTE - FMG AND THE OIL PRODUCING COMPANIES IN NIGERIA HAVE AGREED TO ESTABLISH NEW POSTED PRICE FOR NIGERIAN CRUDE OIL. THIS WAS DISCLOSED TODAY, BY FEDERAL COMMISSIONER FOR MINES AND POWER, SHETTIMA ALI MONGUNO, ON HIS RETURN FROM TRIP TO THE MEETING OF OPEC IN VIENNA AND THAT OF THE OAU LIBERATION COMMITTEE IN MOGADISHU, SOMALIA. THE COMMISSIONER SAID THAT WITH EFFECT FROM OCTOBER 20, 1973, THE POSTED PRICE FOR NIGERIAN CRUDE OF 34 DEGREES API GRAVITY HAS BEEN FIXED AT \$8.310 PER BARREL AS COMPARED WITH THE PREVIOUS POSTING OF \$4.287 PER BARREL. UNQUOTE

2. POSTED PRICE IS THIS RAISED A STUNNING 93.84 PERCENT. CHANGE IN GOVERNMENT TAKE AND AVERAGE COSTS AND ROYALTIES (WHICH VARY IN NIGERIA FROM TEN TO 12.5 PERCENT), BUT EMBASSY CALCULATES FMG WILL NOW RECEIVE ABOUT \$4.75 PER BARREL IN TAXES AND ROYALTIES VS. ABOUT \$2.35. GOVERNMENT TAKE IS THEREFORE ALMOST EXACTLY DOUBLE WHAT IT WAS PRIOR TO OCTOBER 20. AVERAGE TAX PAID COST RISES ABOUT 90 PERCENT TO JUST OVER \$5.00 PER BARREL. END UNCLASSIFIED

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3. NEW PRICE REPRESENTS SEVENTY PERCENT INCREASE IN FORMER BASE POSTING PLUS ADJUSTED ALLOWANCES. EXACT CALCULATION AS FOLLOWS:

|  | OLD     | PERCENT  | NEW     |
|--|---------|----------|---------|
|  | POSTING | INCREASE | POSTING |

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|                         |       |        |       |
|-------------------------|-------|--------|-------|
| BASE POSTING            | 3.804 | 70.00  | 6.467 |
| SULPHUR PREMIUM         | .183  | 610.38 | 1.300 |
| SUEZ ALLOWANCE          | 151   | 0      | .151  |
| TEMP. FREIGHT ALLOWANCE | .149  | 163.09 | .392  |
| TOTAL                   | 4.287 | 93.84  | 8.310 |

INSUPPLYING THESE FIGURES, INDUSTRY SOURCE EMPHASIZED THEY ARE

CONFIDENTIAL UNTIL RELEASED BY FMG, AND TO DATE ONLY THE TOTAL NEW POSTING HAS BEEN RELEASED.

4. FMG DIRECTOR OF PETROLEUM RESOURCES TOLD EMBOFF NOVEMBER 5 POSTED PRICE WAS CHANGED TO REFLECT THE REALITIES OF THE MARKET AND MARKET MAY CHANGE AGAIN SOON, HE REMARKED THAT " A LOT HAS HAPPENED EVEN IN THE LAST 24 HOURS," REFERRING (WE SUPPOSE) TO THE GULF OPEC AND OAPEC MEETINGS OF THE DAY BEFORE.

T. IN CONTRAST TO RECENT GULF INCREASES, THE NIGERIAN INCREASE WAS NOT UNILATERAL DECISION OF GOVERNMENT. ON OCTOBER 23 FMG ASKED PRODUCING COMPANIES TO SUBMIT COMMENTS BY OCTOBER 30 (SEE TEXT IN PIW FOR OCTOBER 29), THEN MEETINGS WERE HELD OCTOBER 31 AND NOVEMBER 2 AT WHICH FMG AND ALL PRODUCING COMPANIES THRASHED OUT FIGURES GIVEN IN PARA 3. ACCORDING AMERICAN PARTICIPANT, ATMOSPHERE OF MEETINGS WAS AT ALL TIMES HARMONIOUS, AND FACT THAT NOVEMBER 2 MEETING LASTED TEN HOURS AND FIFTEEN MINUTES ATTESTS TO DEGREE OF BARGAINING WHICH TOOK PLACE, ALBEIT ON BASIS OF ASSUMPTION THAT NIGERIAN INCREASE WOULD MATCH GULF.

6. EMBASSY NOTES THAT NIGERIAN NATIONAL OIL CORPORATION (NNOC) EXPECTS TO SELL PARTICIPATION AND ROYALTY CRUDE AT "PRICES.. WELL ABOVE THE (NEW) POSTED PRICES." (SEE LAGOS 8687). EMBASSY HAS NOT YET HEARD IF NNOC RECEIVING OFFERS IN NEIGHBORHOOD OF \$8.59 OR HIGHER.

7. FMG PARTICIPATION NEGOTIATIONS WITH GULF AND MOBIL WERE TEMPORARILY SUSPENDED PENDING NEW POSTED PRICE (WHICH HAS EFFECT ON BUY-BACK TERMS). PRESUMABLY NEGOTIATIONS WILL RESUME IN NEAR FUTURE.

8. COMMENT: REFTEL MAY HAVE GIVEN IMPRESSION THAT COMMISSIONER LIMITED OFFICIAL USE

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MUNGUNO HAS JUST RETURNED FROM AND UNANNOUNCED MEETING OF OPEC IN VIENNA. TEXT OF ANNOUNCEMENT MAKES CLEAR THAT MEETING WAS IN FACT IN EARLY OCTOBER.  
REINHARDT

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, DATA, PRICES  
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**Copy:** SINGLE  
**Draft Date:** 05 NOV 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
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**Disposition Date:** 28 MAY 2004  
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**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Executive Order:** N/A  
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**Subject:** NEW OIL PRICE DOUBLES NIGERIAN GOVERNMENT TAKE  
**TAGS:** ENRG, NI  
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